DEPARTMENT OF THE NAVY
OFFICE OF THE COMPTROLLER
WASHINGTON, D.C. 20350-1100

IN REPLY REFER TO
NAVCOMPTINST 7044.7A
NAFC-614
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NAVCOMPT INSTRUCTION 7044.7A

From: Comptroller of the Navy

Subj: GUIDANCE ON DIRECT COSTING OF AIRCRAFT AT MAJOR RANGE AND TEST FACILITY BASE ACTIVITIES

Ref: (a) OPNAVINST 3900.25B of 19 Jun 81
(b) NAVCOMPT Manual, Volume 5, Appendix I, Paragraph 051222

Encl: (1) Definitions and Special Guidance
(2) Discussion of Aircraft Maintenance Rates Development Process

1. Purpose. To provide guidance on the unique financial problems associated with the management of aircraft costs at specific Department of Defense (DOD) test and evaluation (T&E) facilities designated as Major Range and Test Facility Bases (MRTFB's).

2. Cancellation. NAVCOMPTINST 7044.7

3. Scope. The provisions of this instruction apply to the following MRTFB activities operating under Navy Industrial Fund (NIF) like procedures.

a. Pacific Missile Test Center (PACMISTESTCEN), Point Mugu, CA

b. Naval Air Test Center (NAVAIRTESTCEN), Patuxent River, MD

c. Naval Weapons Center (NAVWPNCEN) (T&E Ranges only), China Lake, CA

4. BACKGROUND

a. Reference (a) implemented DOD Directive 3200.11 of 29 September 1980 which was updated to prescribe policies and responsibilities for the management and operation of specific DOD T&E facilities designated as MRTFB's. Reference (b) was issued to provide policy, instruction and accounting procedures required for MRTFB's.

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b. The issue of establishing a rate structure at the MRTFB's which will equitably distribute fair and reasonable costs to all users of aircraft has not been adequately addressed in the current mode of aircraft operations at the applicable activities. All flying hour rates must include variable cost items such as petroleum, oil lubricants (POL) and consumable materials as well as contractor pilot costs. In addition, all levels of aircraft maintenance incurred at the activity level must be included in the aircraft rate. The aircraft maintenance costs vary from activity to activity based on the overall nature of the work force assigned to the aircraft department, i.e., contractor, civil service or military personnel. Variances also occur within the activity between the various types of aircraft based on the assignment of military, civil service, or contractor personnel to a particular type of aircraft for organizational maintenance. Intermediate level aircraft support costs are assessed to all users based on an estimate of actual cost to be incurred.

5. General Discussion and Guidance

a. Activities will continue to distribute all user costs of aircraft operation and maintenance on a per hour basis, based on fair and reasonable computation of identified costs in accordance with the guidance in this instruction and enclosure (1).

b. Where necessary, activities may develop and apply an average hourly rate to recover organizational level maintenance costs performed on more than one aircraft model by a combination of military and civilian labor. This procedure is intended to level out cost differences between aircraft models for the same type of maintenance which is caused solely by assignment of military labor to one aircraft model and civilian labor to another. It also recognizes the management initiatives in attempting to obtain the lowest possible cost for aircraft support. This procedure permits certain organizational level support to be treated as organic to an activity rather than aircraft peculiar for the purpose of applying fair and reasonable hourly rates to all users. Enclosure (2) is a discussion of the problems associated with applying organizational level support costs by aircraft type.

c. Special rates will be developed to account for aircraft costs not funded by the field activity. However, depot maintenance support, centrally procured repair parts and/or equipment which are funded by the Naval Air Systems Command (NAVAIRSYSCOM) as part of aircraft or equipment inventory costs will not be included in field activity developed rates. NAVAIRSYSCOM will continue to reimburse field activities for aviation depot level repairables (AVDLRs) repair parts purchased from the Navy Stock Fund for these activities. Parts for aircraft converted to targets will be centrally reimbursed from the Target Program. Non-Navy customers will be billed for any AVDLRs used.

6. Definitions and Special Guidance. Definitions of words and phrases used in this instruction and special guidance are contained in enclosure (1).

R. A. PHILLIPS
By direction

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Definitions and Special Guidance

Definitions

1. Aircraft Operating Expense. These costs include petroleum, oil, lubricants (POL), consumables, contractor pilots, stock funded material charges, except for aviation depot level repairables (ASO managed 7R cog material) which is NAVAIRSYSCOMs centrally managed program for Navy activities. Aircraft servicing and organizational/intermediate maintenance support labor performed by civilian employees or under contract is also included.

a. Rates for flight hours will include use of maintenance manhour/flight hour for each aircraft type; assign average cost for maintenance manhour and use that cost when establishing a flying hour rate.

b. The costs of modification and/or installation of special gear required to configure an aircraft for T&E purposes, and the costs of converting the aircraft back to suitability for normal operational use will be directly costed to the user. These costs shall be excluded from hourly rates.

2. Project Flying. Any aircraft usage that can be immediately and directly related to the accomplishment of a user funded project or task.

3. Non-project Flying. Any aircraft usage that cannot be immediately and directly related to the accomplishment of a user funded project or task.

4. Institutional Funding. A funding arrangement under which a T&E support activity programs, budgets, and receives funds for its normal operation through the chain of command and provides services with no charge to users (such as project managers) for the cost of normal services.

5. User Funding. A funding arrangement under which those requesting services from a T&E activity are required to provide funds to cover all the direct operating costs (normally excluding military pay and capital investments) associated with the furnishing of such services. The user may be any one who provides funds from any program element, other than a program specifically designated to finance the normal operations of a T&E activity where the work is performed.

6. Direct Costs. Those expenses which can be immediately and directly identified with a specific user program. These costs include direct accelerated labor, direct material, minor construction, special purpose equipment, user peculiar contractor engineering technical services (CETS) required for specialized

aircraft maintenance to ensure project test completion and other like costs. They include all such expenses that can with reasonable effort be identified consistently and uniformly to specific user programs. (See special guidance for unique instrumentation costs of the F14 aircraft at PACMISTESTCEN).

7. RDT&E Aircraft. Those aircraft which are in NAVAIRSYSCOM controlling and reporting custody which are used primarily for research, development, test and evaluation. RDT&E aircraft are located at NAVAIRSYSCOM, or non-government activities for RDT&E purposes, including experimental and production aircraft.

8. Station Flying Aircraft (STF). Those aircraft in NAVAIRSYSCOM controlling and reporting custody which are used to support an activity's mission. Aircraft are located at NAVAIRSYSCOM field activities for Search and Rescue (SAR), logistics, range clearance, and/or other mission essential support functions. (See special guidance on PMRF and the USNTPS).

9. Aircraft Usage. The length of time calculated from the time the aircraft first moves forward on its take off run or takes off vertically from rest at any point of support, as applicable, until either the engines are stopped (or, for rotary wing aircraft, the rotors are disengaged) or the aircraft has been on the surface for 5 minutes, whichever comes first. Additionally, the aircraft engine ground operating time (not involving flight) calculated from the time work for a user commences with one or more engines operating until either the engine(s) are stopped or the work has been stopped for 5 minutes, whichever comes first.

10. Ground Test Time. Aircraft or aircraft systems testing which does not involve actual flight time or engine running time. Costs are charged to a user based on direct and identifiable expenses incurred. No hourly rate is developed for use or application to the aircraft AA account.

11. IMRL Equipment. Individual Material Readiness List (IMRL) equipment is a consolidated allowance list specifying end items and computed quantities of aeronautical support equipment required for maintaining the material readiness of an aircraft maintenance activity. This equipment is managed and controlled by NAVAIRSYSCOM. IMRL costs initial issue and/or replacement regardless of dollar value, are not billed as part of the aircraft AA account.

12. Activity Storage and Aircraft. Aircraft that are retained in the inventory due to unique features but are not in an active flying status. No maintenance costs are required due to the semi-preserved status of aircraft pending project work. No proficiency flying is required and no costs are processed through the aircraft AA account while the aircraft is in a storage category.

13. Inter-Aircraft Intermediate Maintenance Department Support. A cost effective arrangement whereby certain support services are provided by one Aircraft Intermediate Maintenance Department activity to another.

Special Guidance

1. Station Flying Aircraft

a. Pacific Missile Range Facility (PACMISRANFAC) operates aircraft in support of its fleet training range mission. Flying hour rates are developed by PACMISRANFAC to recover all appropriate costs from users. Deficits/excesses will be resolved/liquidated within the PACMISRANFAC Order for Work and Services (NAVCOMPT Form 2275) provided by NAVAIRSYSCOM. Excess funds will be properly liquidated by PACMISRANFAC. In no case will a deficiency or excess balance be applied to or incorporated into the PACMISTESTCEN aircraft AA account.

b. The U.S. Navy Test Pilot School (USNTPS) operates aircraft in support of its training mission. Excess funds will be properly liquidated by USNTPS. In no case will a deficiency or excess balance be applied to or incorporated into the NAVAIRTESTCEN aircraft AA account. NAVAIRTESTCEN will recover costs of USNTPS aircraft operation and maintenance costs as well as intermediate maintenance and supply services provided by the NAVAIRTESTCEN.

2. Direct Costs. The F-14 instrumentation and guide book data reduction costs at PACMISTESTCEN are managed by use of a holding account. Users of these services are billed by application of pre-determined instrumentation and data reduction rates. Rates are validated and revised as necessary to maintain a fiscal year break even position. Variances, if any, will be transferred by Voucher for Disbursement and/or Collection (NAVCOMPT Form 2277) to the NAVAIRSYSCOM project office.

Discussion of Aircraft Maintenance Rates Development Process

The work force required to maintain aircraft, i.e., military, civil service or contractor personnel has been the most difficult cost item to establish a fair and reasonable hourly rate for uniform charging to all users. If military personnel are used, both "Organizational (O)" and "Intermediate (I)" level user costs for maintenance is minimal. However, if contractor or civil service personnel are used, costs increase considerably depending upon the skills required, the location or even the type of contract. Therefore, for comparable aircraft types the flight hour rates may differ from activity to activity depending upon the maintenance work force employed to support aircraft. Since a mix of both military and contractor personnel are not assigned to an "O" level aircraft model maintenance team, labor costs have been factored in certain cases to the flight hour rate based on maintenance man hour per flight hour (MMH/FH) required to distribute total "O" level maintenance costs fairly across at least two types of aircraft assigned. To illustrate, if an activity which had previously performed organizational "O" level maintenance on all A-6 and A-7 aircraft with military personnel, must contract out a substantial portion of that maintenance effort, a decision to have all A-6 aircraft maintained by contractor personnel and the A-7 maintained by military personnel could be made. To avoid penalizing the A-6 users for this management decision intended to provide the most effective maintenance for both aircraft, the total maintenance cost (contract and military) would be merged and redistributed across both aircraft types based on MMH/FH. This application of costs produces significantly different flight hourly rates for both the A-6 and A-7 users than those at an activity where management distributes A-6 maintenance costs only to the A-6 flight hour rate and the A-7 maintenance costs to the A-7 users.